



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 5/30/2003

GAIN Report #NI3017

Nigeria

Cotton and Products

Annual

2003

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Report Highlights:

Nigeria's textile manufacturing sector experienced growth this year after several years of decline. The demand for local fabrics has improved significantly, following a reduction in undocumented, cross-border imports of textiles. Over the past few months, the price on lint increased markedly reflecting a strong demand by the local textile manufacturers and a significant increase in exports. Opportunities exist for U.S. exports of a limited quantity of lint and yarn.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lagos [NI1], NI

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Executive Summary

Nigeria's down stream textile manufacturing sector is being gradually revitalized after several years of decline, due largely to efforts of the GON to curtail large-scale undocumented Asian textile imports. In January 2003, the GON suspended the importation of printed fabrics and increased the import duty on other textile materials from 65 percent to 75 percent. The GON also directed that all imports would be allowed only through the Apapa and Tin Can Island ports in Lagos. Imports through land borders are prohibited. Smuggled textile products often enter Nigeria through land borders and are sold to consumers at prices which reflect the avoidance of import duty payment. Industry sources indicate that the reduction of these imports has encouraged local textile manufacturers to increase production. A number of textile companies which closed operations in recent years have resumed operations. A few well-capitalized textile manufacturers are replacing overaged equipment to stay ahead of competition and to improve product quality for exports.

Nigeria's lint production in 2003/04 is forecast at 100,000 tons, up from 85,000 tons this year. The increase in crop size is largely based on a projected 12 percent increase in cotton area. The prevailing record high seed cotton prices, scarcity and high cost of fertilizer and poor grower prices for competing crops are encouraging farmers to switch from these crops to cotton in the upcoming 2003/04 season. Planting activities will commence in early June but already planting seeds sales are showing a significant increase over this time a year ago.

Exchange Rate : \$1 = 130 Naira

PSD Table: Cotton

PSD Table						
Country	Nigeria					
Commodity	Cotton					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	0	375000	0	340000	0	380,000
Area Harvested	375000	375000	325000	340000	0	380,000
Beginning Stocks	22644	14290	37884	30000	28087	20000
Production	97977	98000	76204	85000	0	100,000
Imports	15241	15000	15241	15000	0	15000
TOTAL SUPPLY	135862	127290	129329	130000	28087	135000
Exports	16329	16000	16329	25000	0	25000
USE Dom. Consumption	81647	81290	84913	85000	0	90,000
Loss Dom. Consumption	2	0	0	0	0	0
TOTAL Dom. Consumption	81649	81290	84913	85000	0	90000
Ending Stocks	37884	30000	28087	20000	0	20000
TOTAL DISTRIBUTION	135862	127290	129329	130000	0	135000

Production

Nigeria's cotton lint production is forecast at 100,000 MT, up from 85,000 MT in 2002/03. The expected increase is based on a projected 12 percent increase in area cultivated in response to this season's attractive producer prices and the favorable rainfall pattern to date. Domestic output in 2002/03 declined because cotton growers switched to alternative crops due largely to poor cotton prices in the preceding year. Post's recent visit to northern cotton growing zones revealed that many growers have elected to increase cotton area for the upcoming 2003/04 season. Following are additional reasons for the projected increase in domestic output in 2003/04:

- ' Grower prices for competing grains (maize and sorghum) fell sharply because of a bumper crop in the 2002/03 season. Farmers have reportedly switched from planting grain crops to cotton.
- ' The GON through its Cotton Revolving Fund is promoting increased cotton production to satisfy domestic demand and for exports. The Fund is involved in supplying pure seeds and agrochemicals for improved crop yield levels.
- ' The GON's restriction on imported printed fabrics has reduced widespread cross-border smuggling of textile products. Demand for lint by the local textile industry has increased significantly.
- ' The GON's Export Expansion Grant of 20 percent is encouraging increased export of Nigerian lint.

Inputs

An inadequate supply of quality planting seeds remains the most important constraint to increased cotton production in Nigeria. The GON's collaborative efforts with major stakeholders to procure and distribute pure seeds to farmers have been ineffective largely due to inadequate program funding. Farmers routinely rely on mixed seeds from the gins in carrying out their planting programs. Seeds from the gin go directly for planting without any germination test or certification for quality. As a result, crop performance tends to show low yield levels and poor resistance to outbreaks of pests and diseases. Chemicals are readily available, but utilization is limited by high costs. The average crop yield in 2001/02 was approximately 780 kilograms of seed cotton per hectare compared to a yield potential of approximately 3 tons for locally-developed varieties. Cotton farming in Nigeria is a smallholder crop and farming systems are mostly rain-fed, mixed cropping. The average cotton farm size is no more than 2 hectares. The ELS and transgenic cotton varieties are not grown in Nigeria.

Crop Quality

Nigerian cotton is similar to American upland variety and the intrinsic quality is generally good. The staple length ranges from 1 1/32" to 1 1/8", the micronaire ranges from 3.6 to 4.4 and the tenacity measured on 1/8 stelometer range from 19 to 22 gms/tex. However, the International Cotton Organization in a survey conducted in 2002, rated Nigeria's cotton to be the poorest in quality largely because of its trash content, which sometimes goes as high as 8 percent. Also, the use of polypropylene bags by farmers often results in Nigerian lint being contaminated with bag fiber which creates problems for textile spinning and dyeing. Local textile manufacturers now classify lint either as polypropylene-free or polypropylene-contaminated. The poly free lint attracts 10 naira per kilogram price premium over the poly contaminated lint. Nigerian lint exports attract discounts of up to 20 percent because of its poor quality.

Consumption

The price of Nigerian lint increased markedly over the past year due to increased demand by textile manufacturers and an increase in cotton export sales. While several gins closed operations over the past year, two new gins were commissioned within the period. On average, the price of seed cotton increased from 30,000 naira per MT in May 2002 to 60,000 naira per MT currently, while the price of lint increased from 100,000 naira per ton to 130,000 naira per MT during the same period. Industry sources indicated that the revival of Nigeria's textile manufacturing sector is now threatened by the scarcity and high cost of lint. Domestic lint consumption in 2003/04 is forecast to increase to 90,000 MT, up from 85,000 MT, reflecting the impact of the reduction in smuggled fabrics into the country by the GON.

Utilized capacity in the textile manufacturing sector in 2002, is estimated at approximately 30 percent, up slightly from 28 percent a year earlier. Growth in Nigeria's textile manufacturing sector remains constrained by the following:

- A depressed domestic demand due to weak consumer purchasing power.
- High production costs and a non-supportive operating environment for the general business community.
- Poor condition of infrastructures in Nigeria which often requires mills to provide their own electricity, water, feeder roads, and telecommunication facilities. This results in high production costs and renders Nigerian textile products uncompetitive.

Prices

Prices Table			
Country	Nigeria		
Commodity	Cotton		
Prices in	Naira	per uom	Ton
Year	2001	2002	% Change
Jan	105,000	108,000	2.86%
Feb	108,000	106,000	-1.85%
Mar	112,000	106,000	-5.36%
Apr	125,000	102,000	-18.40%
May	125,000	100,000	-20.00%
Jun	130,000	90,000	-30.77%
Jul	135,000	88,000	-34.81%
Aug	138,000	86,000	-37.68%
Sep	138,000	95,000	-31.16%
Oct	125,000	115,000	-8.00%
Nov	118,000	125,000	5.93%
Dec	105,000	130,000	23.81%
Exchange Rate	130/1	Local currency/US \$	

Source: Local trade and the Gins

NOTE: As at May 2003, the price of lint had increased to 160,000 naira per MT

Trade

Despite its poor quality, Nigeria's lint exports in 2002/03 are estimated at 25,000 MT, up from the revised estimate of 16,000 tons this year. The GON's Export Expansion Grant of 20 percent is encouraging increased exports and creating scarcity of lint for the local textile industry. The grant more than compensate for the discount pricing of Nigerian cotton in terminal markets. (Data on direction of Nigerian lint exports are not available to do an export trade matrix table).

Nigeria's lint import volume is forecast at 15,000 tons in 2003/04, the same as this year. Nigerian textile manufacturers often require the better quality cotton available in neighboring Benin, Cameroon and Chad for blending to produce finer prints. Local textile manufacturers pay a price premium of as much as 10 percent for imported lint because of higher quality. Opportunities exist for U.S. lint exports to Nigeria but must be price competitive with products from the region which enters the country duty-free.

Table : Cotton Lint Import Matrix

Import Trade Matrix			
Country	Nigeria		
Commodity	Cotton		
Time period	Aug-Jul	Units:	Tons
Imports for:	2001		2002
U.S.		U.S.	
Others		Others	
Cameroon	3,500	Cameroon	4,000
Benin	5,000	Benin	5,200
Niger	3,500	Niger	4,000
Chad	3,000	Chad	1,800
Total for Others	15000		15000
Others not Listed			
Grand Total	15000		15000

Source: Local textile manufacturers' estimates

Nigeria's textile manufacturing sector is unable to take advantage of market access benefits offered under the African Growth and Opportunity Act (AGOA) due to a lack of organization within the industry and inadequate appropriate technology to produce materials of international standards. Post field visits revealed that a few textile manufacturing companies have imported modern equipment capable of producing textile materials of exportable quality.

Stocks

Stock figures in this report represent a residual of estimated production, consumption, and trade. Stock estimate for the 2002/2003 season has been revised downwards to reflect rising domestic lint utilization and export demand.

Policy

Cotton production and trade in Nigeria is completely liberalized. Government involvement in the cotton sector is limited to providing grower input subsidies.

Textile manufacturers under the umbrella of the Nigerian Textile Manufacturers Association have intensified their lobbying efforts with the GON for the reimposition of a ban on the importation of all textile products. Realizing that the GON is not likely to reimpose the ban, which was lifted in 1997, they are urging the government to implement measures which will curb smuggling activity.

Marketing

In January 2001, the GON reduced its import duty on cotton from 35 percent to 25 percent. The lower tariff rate offers some limited marketing opportunities for U.S. exporters, especially of long staple cotton. Nearly all lint imported from the Benin Republic, Chad and Cameroon enters Nigeria through undocumented channels (smuggling) and therefore avoids payment of Nigeria's import duty. There are indications that some textile manufacturing companies may opt for importing U.S. yarn for processing into garments that can be later exported to the United States under AGOA.